Via Email and Electronic Comment Filing System

May 4, 2012

Sharon Gillett
Chief, Wireline Competition Bureau
Federal Communications Commission
445 12th Street, SW
Washington, DC 20554

Re: Rural Health Care Pilot Program, Docket No. 02-60
        <u>USAC Data on the FCC Rural Health Care Pilot Program</u>

Dear Ms.Gillett:

Pursuant to a request from Federal Communications Commission (FCC) staff, the Universal Service Administrative Company (USAC) is providing a summary of certain data points from the federal Universal Service Rural Health Care (RHC) Pilot Program (Pilot Program or RHCPP). The data points relate to funding and participation in the RHCPP.

- Total project awards ranged from $93,240 to $24,689,016. Applicants that were chosen to participate in the Pilot Program identified a total of 6,477 health care providers (HCPs) that would participate in their networks. Support per site ranged from $5,934 to as much as $2.1 million, with an average of $64,000 per site.

- Attached as Appendix A is a list of current participating RHCPP participants (Pilot Projects) and a description of the projects' proposed networks and goals.

- In 2008 and 2009, 12 Pilot Projects from five states merged into five Pilot Projects.[1] Following the mergers, 62 of the original 69 projects remained.

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[1] *In the Matter of Rural Health Care Support Mechanism As One Together for Health et. al. Request for Merger of Rural Health Care Pilot Program Projects*, WC Docket No. 02-60, DA 08-2665, Order, 23 FCC Rcd 17401 (2008); *In the Matter of Rural Health Care Support Mechanism Holzer Consolidated Health Systems et. al. Request for Merger of Rural Health Care Pilot Program Projects*, WC Docket No. 02-60, DA 08-2664, Order, 23 FCC Rcd 17396 (2008); *In the Matter of Rural Health Care Support Mechanism Texas Healthcare Network, et. al. Request for Merger of Rural Health Care Pilot Program Projects*, WC Docket No. 02-60, DA 09-838, Order, 24 FCC Rcd 4587 (2009); *In the Matter of Rural Health Care Support Mechanism North Carolina Telehealth Network, et. al. Request for Merger of Rural Health Care Pilot Program Projects*, WC Docket No. 02-60, DA 09-1696, Order, 24 FCC Rcd 10040 (2009); *In the Matter of Rural Health Care Support Mechanism Juanita Valley Network, et. al. Request for Merger of*

- Of the 62 Pilot Projects, four Pilot Projects submitted letters of withdrawal citing financial constraints, competitive bidding issues or lack of HCP interest in Pilot Program participation.[2] The awards for these four Pilot Projects totaled approximately $4.7 million in the aggregate, or about one percent of all Pilot Program funding.

- Of the remaining 58 projects, eight projects did not meet the FCC's June 30, 2011 deadline to have received at least one funding commitment letter (FCL) or filed at least one complete FCC Form 466-A packet requesting funding.[3] Two Pilot Projects were able to accomplish their goals with alternate funding sources. One project stated to USAC its intent to use Pilot Program funding for ineligible personnel costs. That Pilot Project could not restructure its proposal in a manner that attracted interest from HCPs. Five projects from Alabama, Arizona, Mississippi, Puerto Rico, and Washington State did not proceed with their projects on a timely basis. The eight Pilot Projects accounted for about $25.1 million, or about six percent of Pilot Program funding.

  - The Pilot Project in Kansas withdrew because it could not meet the competitive bidding requirements of the program.
  - The Pilot Project in Florida withdrew because another network was being deployed in the state using funding obtained through the American Recovery and Reinvestment Act. With potentially two healthcare broadband networks, the Florida Pilot Project could not devise a plan that would allow the network to sustain itself once Pilot Program funding ended.

- Appendix B provides a list of the merged projects, withdrawn projects and projects that did not meet the June 30, 2011 deadline.

- As of January 31, 2012, USAC had committed $217 million to approximately 2,106 HCPs, or about $100,000 per HCP, through the Pilot Program. By way of comparison, from January 1, 1998 through January 31, 2012 the traditional Rural Health Care Support Mechanism Program (Primary Program) had committed a total of approximately $507 million to 5,536 HCPs. Non-Alaska funding was $232 million to 5,253 HCPs, or approximately $45,000 per HCP. Alaska HCPs

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Rural Health Care Pilot Program Projects, WC Docket No. 02-60, Order, DA 09-1782, 24 FCC Rcd 10606 (2009).

[2] Letter from Don Larson, Center for Rural Health at the University of North Dakota School of Medicine and Health Sciences to USAC (Aug. 30, 2011); Letter from Bradley Williams, Kansas Board of Regents to USAC (Apr. 30, 2010); Letter from Michael Parsons, Randolph Medical Center, to USAC (Mar. 18, 2011); Letter from Mike Burgess, Alabama Pediatric Health Access Network to USAC (Feb. 16, 2011).

[3] *In the Matter of Rural Health Care Support Mechanism*, WC Docket No. 02-60, DA 11-819, Order, 26 FCC Rcd 6619, ¶ 10 (2011).

have received a total of $273 million for 283 providers, or approximately
$967,000 per HCP.

- Total yearly disbursements through the Pilot Program were distributed as follows:

  - As of December 31, 2007, USAC had disbursed $0.
  - As of December 31, 2008, USAC had disbursed $473,706.
  - As of December 31, 2009, USAC had disbursed $11,840,000.
  - As of December 31, 2010, USAC had disbursed $35,900,000.
  - As of December 31, 2011, USAC had disbursed $95,410,000.

- The average length of support for HCPs in the Pilot Program has been 2.5 years
  for recurring lease payments and 15 years for indefeasible right-of-use (IRUs)
  arrangements and pre-paid leases. By comparison, HCPs in the Primary Program,
  which are required to reapply annually for funding,[4] have averaged 4.1 years (8.0
  years in Alaska).

- As of January 31, 2012, USAC disbursed approximately $100 million for Pilot
  Projects, which was about half of the total committed as of the same date.

- Approximately $139 million, or 65%, of committed funds have been committed
  to HCPs in rural locations. Approximately $78 million, or 35%, of committed
  funds have been committed to HCPs in urban locations.

- USAC issued funding commitments for network equipment, including
  engineering and installation, totaling approximately $19.3 million for 698 HCPs
  in 25 Pilot Projects.

- Attached as Appendix C is a list of vendors participating in the Pilot Program as
  of January 31, 2012.

- In our letter of March 14, 2012, where we provided certain observations on the
  Pilot Program, it was noted that RHCPP funding for network construction
  purposes has been used by 10 projects.[5] Two of the 10 projects were incorrectly
  identified as having construction components. Thus only eight of the Pilot
  Projects are construction projects. Attached as Appendix D is a list of the Pilot
  Projects that are receiving funding for construction. The eight Pilot Projects using
  construction funding have 442 total HCPs in their networks. Over 230 of those
  442 HCPs received commitments for construction funding.

- The majority of funding provided in the Pilot Program has been for leased
  services.

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[4] Instructions to the FCC Form 465, 2 (Apr. 2008).
[5] Letter from Craig Davis, USAC to Sharon Gillett, FCC, 7 (Mar. 14, 2012).

- For projects that are "partially constructed," funding commitments for construction, on a per-project basis, have ranged from $350,000 to $7 million. The two projects that relied entirely on construction received funding commitments of approximately $9 million each. Construction commitments of $35 million to over 230 HCPs equates to approximately $150,000 per HCP.

- It is much easier for USAC to determine funding levels in the Pilot Program as compared to the Primary Program because eligible services in the Pilot Program are funded at a flat rate of 85% and because projects are required to report all participants of their network on the Network Cost Worksheet,[6] which is included with the FCC Form 466-A. The Network Cost Worksheet is a beneficial administrative resource for calculating funding levels for backbone connections and shared services.

- Pilot Projects that took advantage of shared services, either by obtaining excess capacity or excess bandwidth, found it difficult to determine the appropriate fair share that ineligible entities participating in the network had to pay.

- No projects have sought a funding commitment for membership to the National Lambda Rail network.[7] The following projects have requested and received funding commitments from USAC for their Internet2 connections: California Telehealth Network, Iowa Health Systems, North Carolina Telehealth Network, St. Joseph's Hospital, and Texas Health Information Network Collaborative.

- As stated in USAC's letter to the FCC dated March 14, 2012,[8] waiver of the annual filing requirement created numerous administrative efficiencies for the Pilot Projects and for USAC.[9] In the RHCPP, USAC issues funding commitments based on the length of the initial term of the contract. In comparison, in the Primary Program, USAC issues a funding commitment for the 12 months of the funding year regardless of the contract term. The waiver of the annual filing reduced by hundreds the number of forms submitted to USAC and projects were incentivized by the annual filing waiver to sign long term contracts with service providers if they chose to purchase monthly recurring services.

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[6] *Selection Order*, ¶ 90.

[7] *In the Matter of Rural Health Care Support Mechanism*, Order, WC Docket No. 02-60, FCC 07-198, 22 FCC Rcd 20360, ¶ 74 (2007).

[8] Letter from Craig Davis, USAC, to Sharon Gillett, FCC (Mar. 14, 2012).

[9] In the Primary Program, HCPs are required to submit requests for funding every year. The FCC waived this requirement for Pilot Projects.

Please contact me if you have questions concerning this information.

Sincerely,

/s/ Craig Davis
Vice President, Rural Health Care Division